

## Commercial Farming Sales Tax Exemption

Arkansas Code Ann. §26-52-403 provides an exemption from sales tax for new and used farm machinery and equipment. "Farm machinery and equipment" is defined as agricultural implements used **exclusively and directly for the agricultural production of food or fiber as a commercial business**. Sometimes, purchasers improperly claim the exemption and fail to take into consideration that the exemption only applies to those purchasers that are engaged in the business of commercial farming.

The most commonly misused exemption is for All Terrain Vehicles (ATVs).

For the purchase to be tax-exempt, the taxpayer must certify the machinery will be –

1. used **exclusively** in the agricultural production of food or fiber as a retail business, **AND**;
2. used **directly** in the actual agricultural production of food or fiber to be sold in processed form or at retail, OR used directly in the agricultural production of farm products to be fed to livestock or poultry which is to be sold ultimately in processed form at retail.

If the purchaser is not selling farm products produced in the course of an ongoing farming business, the purchaser is not entitled to this exemption.

Examples of Non-Exempt items would include –

- a machine owned by a commercial farmer but also used at a location other than the farming property (such as duck club or deer camp);

- a machine owned by a commercial farmer but also used for any purpose at any time for activities other than commercial farming even while at the commercial farm (such as pleasure riding, household activities, residential yard work, gardening, hunting, fishing);
- a machine purchased by a commercial farmer who also uses the machine to produce food or fiber primarily for his own consumption;
- attachments to and accessories not essential to the operation of the implement itself (except when sold as part of an assembled unit); or
- repair labor and repair parts.

To purchase the machinery exempt from sales tax the purchaser must certify in writing that he is engaged in the business of commercial farming and that the farm machinery and equipment will be used only in commercial farming. The seller then must certify to the Department of Finance and Administration that the contract price of the item(s) has been reduced to grant the full benefit of the exemption. Any accessories not pre-assembled by the manufacturer are taxable, even if purchased at the same time. Subsequent parts or repairs are taxable sales.

Violation of this regulation by the Purchaser **or** the Seller is a misdemeanor. Any taxpayer who wrongfully claims the farm machinery exemption will be assessed tax, interest and penalty upon audit by the Department of Finance and Administration.

If you have a question or need additional information, please contact the Sales and Use Tax Section at (501) 682-7104.

### Commercial Farming Machinery & Equipment Sales Tax Exemption Certification

I, \_\_\_\_\_, am engaged in the production of \_\_\_\_\_  
( purchaser's name – please print ) ( products grown or raised )  
as a commercial farming business. The farm machinery and equipment I am purchasing will be used **exclusively and directly** in the agricultural production of food and fiber to be sold in the commercial marketplace OR used directly in the agricultural production of farm products to be fed to livestock or poultry which will be sold in processed form at retail. I am aware that this claim for exemption will be reviewed by the Department of Finance and Administration. I am also aware that any false representation made by me in an attempt to purchase farm machinery and equipment free from Arkansas sales tax will result in the assessment of tax, penalty, and interest against me and is punishable as a misdemeanor under Arkansas law.

\_\_\_\_\_  
Signature of Purchaser

\_\_\_\_\_  
Date

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Address

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip

\*These certifications shall be kept on file by the seller for six years from the date of sale for audit purposes.